

Senate File 2143 - Introduced

SENATE FILE 2143

BY CHELGREN

A BILL FOR

1 An Act relating to the liquidation of the Iowa fund of funds
2 and creating an exemption from the computation of the state
3 individual income tax of income from an equity investment in
4 a qualified Iowa business and including effective date and
5 retroactive applicability provisions.
6 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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DIVISION I

LIQUIDATION OF THE IOWA FUND OF FUNDS

Section 1. Section 15E.65, subsection 2, paragraph h, Code 2011, is amended to read as follows:

~~h. Fifty years after the organization of the Iowa fund of funds~~ After the effective date of this Act, the Iowa capital investment corporation shall stop accepting new designated investors in the Iowa fund of funds and shall cause the Iowa fund of funds to be liquidated with all of its assets distributed to its owners in accordance with the provisions of its organizational documents. The liquidation shall be completed as soon as legally and economically feasible, but done in such a manner as to minimize the administrative expenses, penalties, and investment losses which may result from liquidation. The Iowa capital investment corporation shall notify the economic development authority when liquidation of the Iowa fund of funds is complete.

Sec. 2. Section 15E.66, Code 2011, is amended by adding the following new subsection:

NEW SUBSECTION. 8. The board shall not issue new certificates and related tax credits after the effective date of this Act. This subsection shall not apply to certificates and related tax credits issued pursuant to this section prior to the effective date of this Act, and nothing in this subsection shall be construed as a restriction on the right or ability of a taxpayer or transferee to claim, redeem, or transfer a certificate or tax credit that was issued before the effective date of this Act.

Sec. 3. EFFECTIVE UPON ENACTMENT. This division of this Act, being deemed of immediate importance, takes effect upon enactment.

DIVISION II

INCOME TAX EXEMPTION FOR EQUITY INVESTMENT
IN QUALIFIED IOWA CORPORATION

Sec. 4. Section 422.7, Code Supplement 2011, is amended by

1 adding the following new subsection:

2 NEW SUBSECTION. 57. *a.* Subtract, to the extent included,
3 income from, or net capital gain from the sale of, an equity
4 investment in a qualified Iowa business.

5 *b.* In order to be eligible for the deduction in paragraph
6 "a", the taxpayer must be a resident of this state and must not
7 claim a tax credit pursuant to section 422.11Q in the same tax
8 year as this deduction.

9 *c.* For purposes of this subsection:

10 (1) "*Equity investment*" means an equity interest in a
11 business, which equity interest was received in exchange for
12 a capital contribution or payment in the form of cash, real
13 property, or tangible personal property.

14 (2) "*Qualified Iowa business*" means a business whose
15 commercial domicile, as defined in section 422.32, is
16 in this state, and includes a sole proprietorship, joint
17 venture, partnership, limited liability company, corporation,
18 association, or any other business entity operated for profit.

19 Sec. 5. EFFECTIVE UPON ENACTMENT. This division of this
20 Act, being deemed of immediate importance, takes effect upon
21 enactment.

22 Sec. 6. RETROACTIVE APPLICABILITY. This division of this
23 Act applies retroactively to January 1, 2012, for tax years
24 beginning on or after that date.

25 EXPLANATION

26 This bill relates to the liquidation of the Iowa fund of
27 funds and the creation of an individual income tax exemption.

28 Division I relates to the liquidation of the Iowa fund of
29 funds.

30 The division amends Code section 15E.65 to provide that
31 the Iowa capital investment corporation shall stop accepting
32 new designated investors in the Iowa fund of funds after the
33 effective date of the bill and shall cause the Iowa fund of
34 funds to be liquidated. The liquidation is to be completed as
35 soon as legally and economically feasible, but done in such a

1 manner as to minimize the administrative expenses, penalties,
2 and investment losses which may result from liquidation.

3 The division also amends Code section 15E.65 to provide that
4 no new tax credit certificates related to the Iowa fund of
5 funds shall be issued after the effective date of the bill.

6 Division I takes effect upon enactment.

7 Division II relates to the creation of an individual income
8 tax exemption.

9 The division exempts from the computation of net income
10 for the individual income tax all income from, or net capital
11 gain from the sale of, an equity investment in a qualified
12 Iowa business. "Equity investment" is defined as an equity
13 interest in a business that was received in exchange for a
14 capital contribution or payment in the form of cash, real
15 property, or tangible personal property. "Qualified Iowa
16 business" is defined as any business operated for profit whose
17 commercial domicile is in Iowa. In order to be eligible for
18 this exemption, a taxpayer must be a resident of Iowa and must
19 not claim the Iowa fund of funds tax credit provided in Code
20 section 422.11Q. The division takes effect upon enactment
21 and applies retroactively to January 1, 2012, for tax years
22 beginning on or after that date.